

West Michigan Risk Management Trust

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Introductory Section



September 26, 2006

West Michigan
Risk Management
Trust

Executive Board

Connie Gillette
Chairperson

Holly Norman
Vice-Chairperson

Catherine Botts
Secretary

Steve Lampe
Treasurer

Member Districts

Byron Center
Caledonia
Comstock Park
Delton Kellogg
East Grand Rapids

Forest Hills
Fruitport
Godfrey Lee
Grandville
Gull Lake
Jenison

Kalamazoo RESA
Kent City
Kentwood
Lowell
Northview

Reeths Puffer
Rockford
South Haven
Sparta
Spring Lake

Tonawanda Kellogg
Wayland Union
Wyoming
Zeeland

Dear Pool Member:

The West Michigan Risk Management Trust (WMRMT) is an organization comprised of member school districts located in West Michigan. Formed in July 1990 to provide casualty and liability insurance. The membership has increased from the original 13 member districts to the current 25 members. The WMRMT insurance program also includes boiler and machinery coverage, risk management, third-party administration of claims, and loss prevention programs.

The WMRMT is a trust voluntarily established pursuant to Section 2 of Chapter 124 (P.A. 1951, No. 35, Section 2) and Section 5 of Chapter 124 (P.A. 1982, No. 138, Section 5) of the Michigan Compiled Laws for the purpose of providing participating school districts such services and security as are approved by the Board of Directors and permitted by the laws of the State of Michigan. Article 5 of the Interlocal Agreement and Bylaws established a Board of Directors and Officers of the Pool. Bylaws stipulate that the Board of Directors would determine the general policy of the Pool and that the chairperson would serve as the chief policy officer of the Pool.

In the fall of 1989, the Kent County Superintendent's Association expressed an interest in forming a self-insurance pool for the Kent County area. The Kent County Superintendent's Association is an organization located in West Michigan that includes all K-12 school districts in Kent County.

The WMRMT was established to create a cooperative atmosphere in which to provide:

- Increased or improved property and liability coverage's
- Reduced premiums
- Improved loss prevention programs
- Increased protection against extraordinary swings in insurance premiums
- The ability of Pool members to share in the interest income from their premiums
- Security against paying premiums several times greater than actual losses

Based on current entry procedures, new prospective members to WMRMT submit five-year loss histories with substantiating data along with exposure information on property values, vehicles, teachers, and student populations. The Executive Committee reviews this information to determine eligibility and compatibility with the current Pool members, with a 35 percent loss ratio as an established criteria for admissions, and makes a recommendation to the Board of Directors. The geographic scope of the trust includes an approximate 60-mile radius from Grand Rapids, Michigan.

West Michigan Risk Management Trust

Financial Management

WMRMT is a risk-sharing, self-insurance pool with a self-insurance retention (SIR) of \$250,000 per occurrence, effective for the 2005-2006 loss fund year, and a SIR of \$175,000 from inception to the 2004-2005 loss fund year, which is protected by excess insurance of adequate amounts over the SIR. The loss fund contribution is based on property values, vehicles, teachers, student population, and other pertinent data as reviewed annually. The loss fund is secured by unlimited aggregate coverage in excess of the fund in accordance with Section 7 (a)(iv) of P.A. 138 of 1982 of the Michigan Compiled Laws.

The treasurer of WMRMT serves as a fiscal agent for the pool and is responsible for setting up and maintaining the appropriate accounting system for the pool operations.

WMRMT accounting records for general operations are maintained on an accrual basis, with the contributions (assessments) from members recorded as revenue when submitted and measurable expenditures are recorded when the services are received and the liabilities incurred.

Article 8 of the bylaws provides that the board of directors shall approve a preliminary budget for the administration of WMRMT by June 30 of each year. Upon review and submission, the board shall annually adopt the budget, which includes the annual contributions (assessments) to the member school districts.

Financial reports are produced showing budget and actual expenditures by line item. These reports are reviewed monthly by the finance committee and the board of directors. Individual line items are reviewed and analyzed for budgetary compliance.

Bylaws and state statutes require annual audits of the books of WMRMT. Plante & Moran, PLLC has been contracted to provide the auditing service. Tillinghast-Towers Perrin has been contracted to provide an actuarial service as required by the State. The use of accounting principles generally accepted in the United States of America and Governmental Accounting Standard Board (GASB) No. 10 and GASB No. 30, an amendment of GASB No. 10, are contained in this report.

West Michigan Risk Management Trust

Financial Management (Continued)

The first year aggregate loss fund was set at \$335,000 and funded at the 100 percent level, the second year, 1991-1992, aggregate loss fund was set at \$333,663 and funded at the 100 percent level. The third year, 1992-1993, aggregate loss fund was set at \$339,132 and funded at the 100 percent level. The fourth year, 1993-1994, aggregate loss fund was set at \$405,000 and funded at the 100 percent level. The fifth year, 1994-1995, aggregate loss fund was set at \$453,000 and funded at the 100 percent level. The sixth year, 1995-1996, aggregate loss fund was set at \$450,000 and funded at the 100 percent level. The seventh year, 1996-1997, aggregate loss fund was set at \$532,500 and funded at the 100 percent level. The eighth year, 1997-1998, aggregate loss fund was set at \$650,000 and funded at the 100 percent level. The ninth year, 1998-1999, aggregate loss fund was set at \$650,000 and funded at \$620,000. The tenth year, 1999-2000, the aggregate loss fund was set at \$725,000 and funded at \$650,000. The eleventh year, 2000-2001, the aggregate loss fund was set at \$775,000 and funded at \$700,000. The twelfth year, 2001-2002, the aggregate loss fund was set at \$775,000 and funded at the 100 percent level. The thirteenth year, 2002-2003, the aggregate loss fund was set at \$974,000 and funded at the 100 percent level. The fourteenth year, 2003-2004, the aggregate loss fund was set at \$1,000,000 and funded at the 99.9 percent level. The fifteenth year, 2004-2005, the aggregate loss fund was set at \$1,012,692 and funded at the 100 percent level, and in the sixteenth year, 2005-2006, the aggregate loss fund was set at \$1,109,108 and funded at the 100 percent level.

Fund balances consisting of claim reserves and bank cash balances are invested in order to maximize earnings in each fund. WMRMT's interlocal agreement states that the investments shall be in accordance with those practices permitted by Michigan School Law as permitted under the Insurance Code of 1956, Act 219 of the Public Acts of 1956, as amended. All investments are made in recognition of liquidity needs for operating expenses and claim payments.

Revenue for the 2005-2006 fiscal year totaled \$3,371,649, of which \$117,559 was interest earnings.

Expenses for the 2005-2006 fiscal year totaled \$2,651,175 as follows:

Excess insurance premiums	\$ 1,597,238
Provision for claims	509,156
Contract services	319,886
Operating expenses	224,895

Each year, funding is accomplished by allocation of cost per member, and the member costs are developed through a formula that accounts for factors such as property values, student and vehicle counts, and loss experience. Each member is responsible for their portion of the loss fund on a proactive (up-front) basis. Since the losses continue to be funded at a maximum exposure level, there are no requirements for post-loss funding.

West Michigan Risk Management Trust

Cost Containment

WMRMT's claims/risk management committee evaluates claims and makes recommendations to the Board of Directors on policies or procedures needed to reduce risk in certain areas. The Committee also arranges loss prevention management seminars.

Using contracted services for loss prevention, third-party claims administration, and risk management has also allowed the trust to control claims and costs.

WMRMT also has contractual arrangements with Gallagher Bassett Services, Inc. for the third-party claim administration and management. This agreement calls for claims management, loss control assistance, monthly loss runs, and other claims administration services, including regular attendance at claim committee meetings and full board meetings.

WMRMT has a contractual arrangement with Arthur J. Gallagher & Co. for renewal data gathering, market submission, proposal summaries, and other risk management administrative support to the board. These relationships are integral to the operation of WMRMT.

Summary

The independent auditor's report issued by Plante & Moran, PLLC and the actuary report provided by Tillinghast-Towers Perrin is included in this report.

This report supports the philosophy of providing improved coverages and reducing costs that lead to the creation of WMRMT.

WMRMT continues on a course of controlled growth and expanded loss control with a focus on reducing losses.

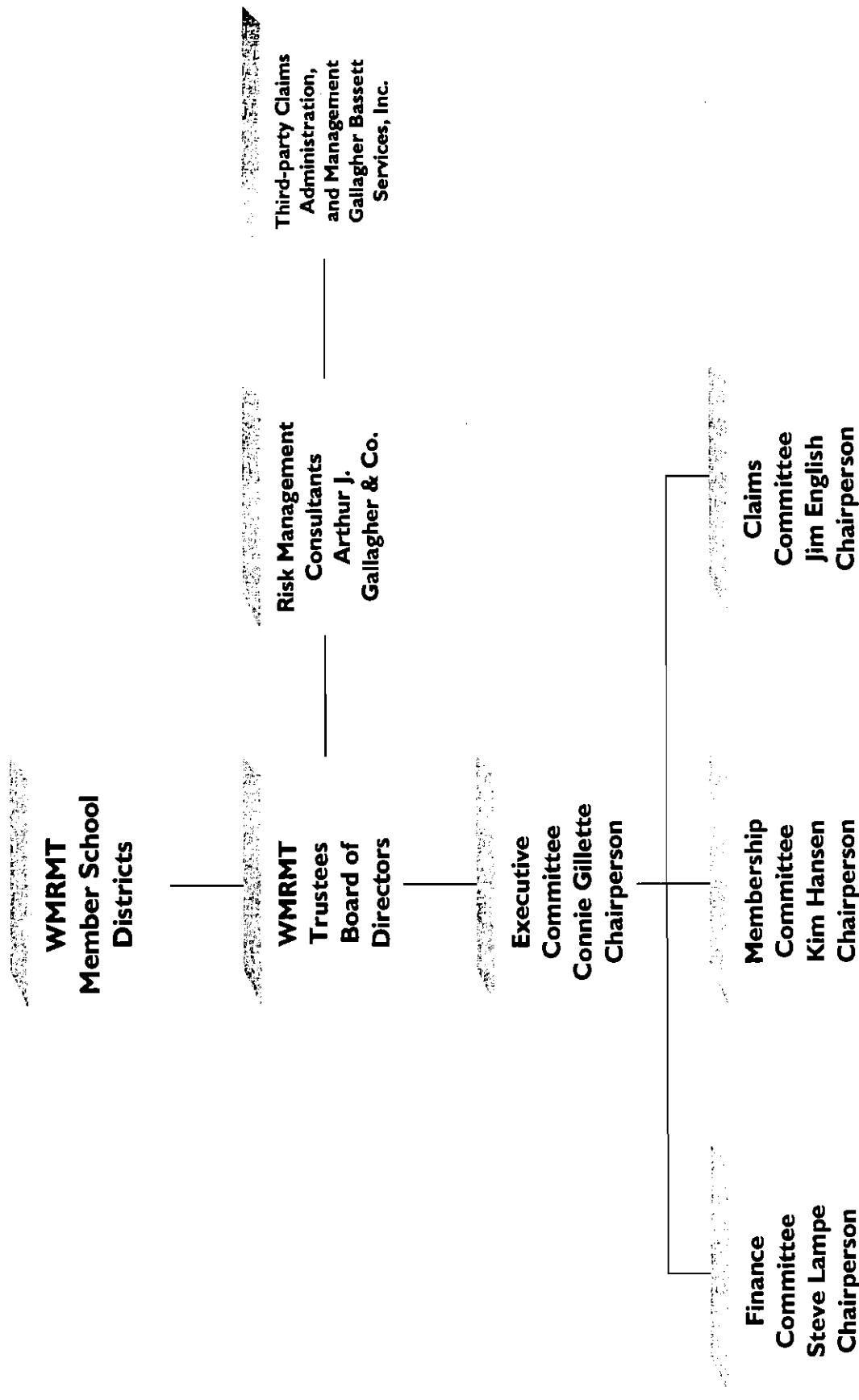
Sincerely,



Connie Gillette, Chairperson
Executive Committee
West Michigan Risk Management Trust

West Michigan Risk Management Trust

Organization Chart



West Management Risk Management Trust

Executive Officers and Board of Directors

As of June 30, 2006

EXECUTIVE COMMITTEE

Board Chairperson.....	Connie Gillette – Lowell
Board Vice Chairperson.....	Holly Norman – Kalamazoo RESA
Board Secretary	Catherine Botts – Byron Center
Board Treasurer.....	Steve Lampe – Kent City
Board Chairperson of Claims/	
Risk Management Committee	Jim English - Wayland
Chairperson of Membership Committee	Kim Hansen – Jenison
Chairperson of Finance Committee	Steve Lampe – Kent City

BOARD OF DIRECTORS

BOARD MEMBERS	DISTRICTS
Catherine Botts.....	Byron Center
Ron Archer.....	Caledonia
Jill Kasul	Comstock Park
Kim DeVries.....	Delton-Kellogg
Kevin Philipp.....	East Grand Rapids
Tim Raymer.....	Forest Hills
Pam Kihn	Fruitport
Roxanne Claxton.....	Godfrey Lee
Deb Reese.....	Grandville
Lisa Anderson.....	Gull Lake
Kim Hansen.....	Jenison
Holly Norman	Kalamazoo RESA
Steve Lampe.....	Kent City
Steve Zakem	Kentwood
Connie Gillette.....	Lowell
John Zielinski	Northview
Dean VanZegeren.....	Reeths Puffer
Mike Cuneo.....	Rockford
Robert Black.....	South Haven
Deb Berenbrock	Sparta
Deb Miller	Spring Lake
Chris Marcy.....	Thornapple Kellogg
Jim English	Wayland Union
Marc Faber	Wyoming
David Van Ginhoven	Zeeland

Financial Statements

West Michigan Risk Management Trust

**Financial Report
with Required Supplemental Schedules
June 30, 2006**

West Michigan Risk Management Trust

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Independent Auditor's Report

To the Board of Directors
West Michigan Risk Management Trust

We have audited the statement of net assets of West Michigan Risk Management Trust as of June 30, 2006 and 2005 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Michigan Risk Management Trust at June 30, 2006 and 2005 and the changes in financial position, including cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

September 26, 2006

West Michigan Risk Management Trust

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows. Along with the footnotes, they provide detailed financial information concerning the West Michigan Risk Management Trust (the "Trust"). This section, the management's discussion and analysis, is intended to provide an overview of the Trust's financial condition, results of operations, and other key information.

Financial Overview

In analyzing the Trust's financial position, it is important to recognize the mission of the Trust. From a financial perspective, the Trust's general objectives are to formulate, develop, and administer, on behalf of the members, a program of insurance, to obtain lower costs for that coverage, and develop a comprehensive loss prevention program. As of June 30, 2006, 25 Michigan school districts participate in the Trust.

The key financial statistics for the Trust would be based on total anticipated claims to be paid in a specific policy year as compared to the contributions received from members, otherwise known in the industry as a "loss ratio."

	Policy Year Ended		
	2006	2005	2004
Total contributions	\$ 3,230,676	\$ 3,130,811	\$ 3,307,375
Total estimated claim payments	867,000	570,051	754,020
Loss ratio	26.8%	18.2%	22.8%

Total estimated claim payments for each policy year consist of claim payments and an estimate of unsettled claims estimated by a third-party administrator and an estimate of claims incurred but not reported by an independent actuary. The methods of making such estimates are continuously reviewed by management, and according to industry practice, any changes to these estimates will have an impact on reported results of future periods. Claim payments can change significantly from period to period because the ultimate amount paid for claims is dependent on the frequency of claims filed as well as other events such as jury decisions, court interpretations, and legislative changes.

West Michigan Risk Management Trust

Management's Discussion and Analysis (Continued)

To reduce the Trust's exposure to large specific claims, the Trust enters into excess insurance contracts to recover specific claim losses in excess of stated amounts in the excess insurance contract. Currently, the per claim limit totals \$250,000.

A total of 100 percent of assets consist of cash and cash equivalents for 2006, 2005, and 2004. Approximately 78 percent, 72 percent, and 98 percent of total liabilities consist of reserve for claims for 2006, 2005, and 2004, respectively. Due to the nature of property/casualty claims and the related reporting and settlement processes of claims, it is anticipated, based on historical averages of the Trust, that approximately 41 percent of the estimated reserve for claims will be settled within one year. The analysis below presents a comparison of the Trust's current year financial position to the prior years:

	2006	2005	2004
Total assets (all current)	<u>\$ 3,346,543</u>	<u>\$ 2,812,491</u>	<u>\$ 2,200,336</u>
Current liabilities	\$ 689,485	\$ 877,612	\$ 519,688
Long-term liabilities	<u>595,695</u>	<u>593,990</u>	<u>646,255</u>
Total liabilities	1,285,180	1,471,602	1,165,943
Net assets (unrestricted)	<u>2,061,363</u>	<u>1,340,889</u>	<u>1,034,393</u>
Total liabilities and net assets	<u>\$ 3,346,543</u>	<u>\$ 2,812,491</u>	<u>\$ 2,200,336</u>

The following table shows the major components of income from operations for the current year, compared to the prior years:

	2006	2005	2004
Income			
Member contributions	\$ 3,230,676	\$ 3,130,811	\$ 3,307,375
Interest income	117,559	37,176	20,390
Other income	<u>23,414</u>	<u>5,543</u>	<u>1,503</u>
Total income	3,371,649	3,173,530	3,329,268
Expenses			
Total provision for claims	509,156	657,058	944,421
Total operating expenses	<u>2,142,019</u>	<u>2,209,976</u>	<u>2,346,170</u>
Total expenses	<u>2,651,175</u>	<u>2,867,034</u>	<u>3,290,591</u>
Total Increase in Net Assets	<u>\$ 720,474</u>	<u>\$ 306,496</u>	<u>\$ 38,677</u>

West Michigan Risk Management Trust

Management's Discussion and Analysis (Continued)

The decrease in operating expenses is a result of a decrease in the excess insurance premiums for 2006 and 2005. Total provision for claims, as noted above, is dependent on many factors and will change from year to year based on these factors.

Economic Factors and Next Year's Rates

The expected rates charged by the Trust for member contributions for the next fiscal year are expected to decrease approximately 1 percent. All other operating expenses are expected to remain consistent with amounts reported in 2006. The provision for claim payments is expected to be consistent with historical trends, and we are unaware of any economic events or legislative events that would have a significant impact on the operations of the Trust.

Contacting the Trust's Management

This financial report is intended to provide our members and regulators with a general overview of the accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Steve Lampe, finance manager, West Michigan Risk Management Trust, at 616-678-7714.

West Michigan Risk Management Trust

Statement of Net Assets

	June 30	
	2006	2005
Assets		
Cash and cash equivalents (Note 2)	<u>\$ 3,346,543</u>	<u>\$ 2,812,491</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 5,010	\$ 4,048
Deferred revenue	272,475	414,564
Current portion of reserve for claims (Note 3)	<u>412,000</u>	<u>459,000</u>
Total current liabilities	689,485	877,612
Long-term Liabilities - Reserve for claims - Net of current portion (Note 3)	<u>595,695</u>	<u>593,990</u>
Total liabilities	1,285,180	1,471,602
Net Assets - Unrestricted	<u>2,061,363</u>	<u>1,340,889</u>
Total liabilities and net assets	<u>\$ 3,346,543</u>	<u>\$ 2,812,491</u>

West Michigan Risk Management Trust

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2006	2005
Income		
Member contributions	\$ 3,230,676	\$ 3,130,811
Interest income	117,559	37,176
Other income	<u>23,414</u>	<u>5,543</u>
 Total income	 3,371,649	 3,173,530
Expenses		
Provision for claims (Note 3):		
Payments	554,451	744,322
Deduction to reserve for claims	(45,295)	(87,265)
Reinsurance premiums (Note 4)	1,597,238	1,705,892
Service agent fees	229,700	210,908
Claims management fees	90,186	99,911
Administrative expenses:		
Professional fees	33,949	28,694
Appraisal service	2,675	2,600
MCCA assessments	163,169	150,121
Other	<u>25,102</u>	<u>11,851</u>
 Total expenses	 <u>2,651,175</u>	 <u>2,867,034</u>
Increase in Net Assets		
Net Assets - Beginning of year	720,474	306,496
Net Assets - End of year	<u>\$ 2,061,363</u>	<u>\$ 1,340,889</u>

West Michigan Risk Management Trust

Statement of Cash Flows

	Year Ended June 30	
	2006	2005
Cash Flows from Operating Activities		
Cash received from members	\$ 3,088,587	\$ 3,539,825
Cash paid for claims	(554,450)	(744,322)
Cash paid to suppliers and others	<u>(2,117,644)</u>	<u>(2,220,524)</u>
Net cash provided by operating activities	416,493	574,979
Cash Flows from Investing Activities		
Interest income received	117,559	37,176
Loan under note receivable	(300,000)	-
Repayment on note receivable	<u>300,000</u>	<u>-</u>
Net cash provided by investing activities	<u>117,559</u>	<u>37,176</u>
Net Increase in Cash and Cash Equivalents	534,052	612,155
Cash and Cash Equivalents - Beginning of year	2,812,491	2,200,336
Cash and Cash Equivalents - End of year	<u>\$ 3,346,543</u>	<u>\$ 2,812,491</u>

A reconciliation of increase in net assets to net cash provided by operating activities is as follows:

	Year Ended June 30	
	2006	2005
Increase in net assets	\$ 720,474	\$ 306,496
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Interest income	(117,559)	(37,176)
Increase (decrease) in liabilities:		
Accounts payable	962	(16,090)
Deferred revenue	(142,089)	409,014
Reserve for claims	<u>(45,295)</u>	<u>(87,265)</u>
Net cash provided by operating activities	<u>\$ 416,493</u>	<u>\$ 574,979</u>

There were no significant noncash investing, capital, or financing activities during the years ended June 30, 2006 and 2005.

West Michigan Risk Management Trust

Notes to Financial Statements June 30, 2006 and 2005

Note I - Nature of Entity and Significant Accounting Policies

West Michigan Risk Management Trust (the "Trust") was established July 1, 1990 under the laws of the State of Michigan as a governmental group risk retention trust. The Trust provides a single multi-peril contract under which the members are covered for various types of risk including: property (all risk), general, automobile liability, loss and physical damage, mobile equipment, EDP software, fine arts and other miscellaneous property, crime, and boiler machinery. Membership in the Trust is open to all school districts in western Michigan, of which 25 currently participate.

The Trust provides risk management, consisting of compensating members for losses, costs, and expenses related to the stated coverages and using the funds contributed by members to defend any member of the Trust against stated liability or loss. Membership in the Trust is considered after a formal request supported by a resolution from the Board of Education of the applying school district. Any member joining the Trust is required to remain a member for a minimum of three full years. A member may withdraw from the Trust after the member's initial three-year term by giving nine months' prior written notice.

Trust underwriting and rate-setting policies are established after consultation with excess insurance underwriters and actuaries. Members are given 30 days' notice to make annual contributions to the Trust. The annual contributions are based on a final budget approved by the board of directors.

The Trust uses the accrual method of accounting. Contributions from members, which are calculated by the Trust, are recorded as revenue. Claim losses, along with excess insurance premiums, service fees, training program expense, and administrative expenses, are recorded as expenses. The estimated total cost of claim losses is accrued based on the estimate of claims that ultimately will be filed for an insurance period. The revenue, including investment income, and expenses for each self-insurance year are accounted for separately to determine excess equity or funding deficits. To the extent contributions finally are deemed to exceed claim losses and other costs, excess amounts will be refunded to members based on total premiums paid in an individual policy year. If necessary, funding deficits in individual policy years will be recovered through additional member contributions assessed to members participating in that policy year.

Cash and Cash Equivalents - The Trust considers all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents.

West Michigan Risk Management Trust

Notes to Financial Statements June 30, 2006 and 2005

Note I - Nature of Entity and Significant Accounting Policies (Continued)

Reserve for Claims - The reserve for claims represent the estimated liability for unpaid insurance losses and related expenses from reported claims and claims incurred but not reported. Changes to estimates are reflected in earnings currently.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures in the financial statements. Actual results could differ from those estimates. Significant estimates exist relating to the reserve for claims as described in Note 3.

Tax Status - Premium and investment income of the Trust is tax exempt under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the financial statements.

Note 2 - Deposits

The Trust's investment policy authorizes the Trust to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan.

The Trust designated Comerica Bank for the deposit of its funds.

The Trust's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned to it. The Trust does not have a deposit policy for custodial credit risk of bank deposits. At June 30, 2006, the Trust's deposit balance of \$3,349,769 had \$3,249,769 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. At June 30, 2005, the Trust's deposit balance of \$2,844,461 had \$2,744,461 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Trust believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Trust evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

West Michigan Risk Management Trust

Notes to Financial Statements June 30, 2006 and 2005

Note 3 - Reserve for Claims

The estimated reserve for unsettled claims filed is provided by the third-party administrator. The reserve for claims incurred but not reported is estimated by an independent actuary based upon the Trust's historical experience of claims incurred prior to June 30, 2006. The estimates reflect the best judgment as to the potential for claims to increase beyond the amounts already paid and reserved on filed claims. It is at least reasonably possible that a material change in the estimate could occur within the near term and thus the actual claims paid may be substantially different than these estimates. Any future adjustments to these amounts will affect the reported results of future periods.

The following summarizes the reserve for claims at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Claims filed at June 30 that remain unsettled as of that date	\$ 262,718	\$ 412,158
Estimate of claims relating to periods prior to June 30 not filed as of that date that are expected to be filed in the future	744,977	640,832
Total	<u>\$ 1,007,695</u>	<u>\$ 1,052,990</u>

West Michigan Risk Management Trust

Notes to Financial Statements June 30, 2006 and 2005

Note 3 - Reserve for Claims (Continued)

The following represents changes in reserve for claims for the years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Reserve for Claims - Beginning of year	\$ 1,052,990	\$ 1,140,255
Incurred Claims and Claims Adjustment Expenses		
Provision for claims in the current year	867,000	600,999
Increase (decrease) in provision for claims incurred in prior years	<u>(357,844)</u>	<u>56,058</u>
Total incurred claims and claims adjustment expenses	509,156	657,057
Payments		
Claims and claims adjustment expenses paid for claims incurred in the current year	285,509	180,928
Claims and claims adjustment expenses paid for claims incurred in prior years	<u>268,942</u>	<u>563,394</u>
Total payments	<u>554,451</u>	<u>744,322</u>
Reserve for Claims - End of year	<u>\$ 1,007,695</u>	<u>\$ 1,052,990</u>

The following, based on historical trends of the Trust, summarizes the anticipated settlement of claims at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Claims anticipated to be settled within one year	\$ 412,000	\$ 459,000
Claims anticipated to be settled in excess of one year	<u>595,695</u>	<u>593,990</u>
Total reserve for claims	<u>\$ 1,007,695</u>	<u>\$ 1,052,990</u>

West Michigan Risk Management Trust

Notes to Financial Statements June 30, 2006 and 2005

Note 4 - Excess Insurance Coverage

The Trust uses excess insurance agreements to reduce its exposure to large aggregate and specific losses. These agreements allow the Trust to recover losses in excess of aggregate and specific coverages specified in the agreements; however, the primary liability of the Trust is not discharged for the risks covered by these agreements. The Trust does not report claims liabilities expected to be paid under these agreements unless it is probable that those liabilities will not be covered and paid by excess insurance agreements. Premiums ceded under these agreements during the years ended June 30, 2006 and 2005 were \$1,597,238 and \$1,705,892, respectively. Amounts deducted from reserve for claims for expected recoveries under these contracts totaled approximately \$503,000 and \$240,000 at June 30, 2006 and 2005, respectively.

Note 5 - Related Party Transaction

In June 2005, the board of directors approved a \$300,000, noninterest-bearing loan to West Michigan Health Insurance Pool, a related party through common management. The funds were advanced in July 2005 and repaid in February 2006.

Required Supplemental Schedules



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To the Board of Directors
West Michigan Risk Management Trust

We have audited the financial statements of West Michigan Risk Management Trust for the years ended June 30, 2006 and 2005. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information for the years ended June 30, 2006 and 2005 has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedules of operations and claims development from June 30, 1997 through June 30, 2006 have been prepared from financial statements for each of the respective periods shown in the schedule of operations and net assets by policy year and schedule of claims development as updated for subsequent activity. We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements from which the schedule of operations and net assets by policy year and schedule of claims development were derived. In our opinion, the schedule of operations and net assets by policy year and schedule of claims development are fairly stated in all material respects in relation to the financial statements from which they were derived.

Plante & Moran, PLLC

September 26, 2006

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A Worldwide association of independent accounting firms

West Michigan Risk Management Trust

Schedule of Operations for the Year Ended June 30, 2006

	Prior Years	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total
Income												
Member contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,230,676	\$ 3,230,676
Investment income	-	-	-	-	-	-	-	-	-	-	117,559	117,559
Other income	-	-	-	-	-	-	-	-	-	-	23,414	23,414
Total income	-	-	-	-	-	-	-	-	-	-	3,371,649	3,371,649
 Expenses												
Provision for claims:												
Payments (recoveries)	12,116	(3,601)	(11,203)	3,469	(5,772)	-	22,178	2,702	74,172	174,881	285,509	554,451
Addition (reduction) to reserve for claims	-	-	-	-	(4,925)	-	(57,178)	(38,702)	(320,151)	(205,830)	581,491	(45,295)
Excess insurance premiums	-	-	-	-	-	-	-	-	-	-	1,597,238	1,597,238
Service agent fees	-	-	-	-	-	-	-	-	-	-	229,700	229,700
Claims management fees	-	-	-	-	-	-	-	-	-	-	90,186	90,186
Administrative expenses:												
Professional fees	-	-	-	-	-	-	-	-	-	-	33,949	33,949
Appraisal service	-	-	-	-	-	-	-	-	-	-	2,675	2,675
MCCA assessments	-	-	-	-	-	-	-	-	-	-	163,169	163,169
Other	-	-	-	-	-	-	-	-	-	-	25,102	25,102
Total expenses	12,116	(3,601)	(11,203)	3,469	(10,697)	-	(35,000)	(36,000)	(245,979)	(30,949)	3,009,019	2,651,175
 Excess of Income Over (Under) Expenses	\$ (12,116)	\$ 3,601	\$ 11,203	\$ (3,469)	\$ 10,697	\$ -	\$ 35,000	\$ 36,000	\$ 245,979	\$ 30,949	\$ 362,630	\$ 720,474

West Michigan Risk Management Trust

Schedule of Claims Development

Claims Development Information

The following table illustrates how the Trust's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Trust as of the end of each of the past ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue. (2) This line shows the fiscal year's other operating costs of the Trust, including overhead and claims expense not allocable to individual claims. (3) This line shows the Trust's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of ten rows shows the cumulative net amounts paid as of the end of the successive years for each policy year. (5) This line shows the latest re-estimation amount of claims assumed by reinsurers as of the end of the current year for each accident year. (6) This section of ten rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known). (7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

	Year Ended June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997*
(1) Required contributions and interest income:										
Earned	\$ 3,348,235	\$ 3,142,570	\$ 3,313,779	\$ 2,961,537	\$ 2,133,333	\$ 1,710,092	\$ 1,683,592	\$ 1,608,413	\$ 1,671,776	\$ 1,622,062
Ceded	1,597,238	1,705,892	2,083,490	1,757,631	1,242,055	909,972	896,147	896,904	973,466	985,493
Net earned	1,750,997	1,436,678	1,230,289	1,203,906	891,278	800,120	787,445	711,509	698,310	636,569
(2) Unallocated expenses										
Incurred	224,895	193,265	262,680	220,344	190,542	109,624	119,423	142,792	102,938	110,996
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	867,000	600,999	1,031,000	1,144,250	600,708	647,844	489,735	620,246	420,993	516,357
(3) Estimated claims and expenses, end of policy year:										
Incurred	-	-	-	-	-	-	-	-	-	-
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	867,000	600,999	906,000	819,000	600,708	647,844	489,735	620,246	420,993	516,357

West Michigan Risk Management Trust

Schedule of Claims Development (Continued)

	Year Ended June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997*
(4) Net paid (cumulative) as of:										
End of policy year	\$ 285,509	\$ 180,928	\$ 286,122	\$ 454,491	\$ 319,738	\$ 399,174	\$ 196,865	\$ 238,660	\$ 160,260	\$ 198,398
One year later	-	355,809	516,184	464,185	453,616	486,870	367,349	490,556	590,870	413,454
Two years later	-	590,356	600,658	464,006	573,336	540,415	511,175	603,543	413,454	
Three years later	-	-	603,360	570,735	575,794	557,934	520,257	609,137	413,454	
Four years later	-	-	-	592,913	575,794	571,862	520,257	609,153	409,853	
Five years later	-	-	-	-	575,794	661,992	520,257	609,153	413,454	
Six years later	-	-	-	-	-	656,220	520,257	609,153	413,454	
Seven years later	-	-	-	-	-	-	523,726	609,153	413,454	
Eight years later	-	-	-	-	-	-	-	597,950	413,454	
Nine years later	-	-	-	-	-	-	-	-	409,853	
(5) Re-estimated ceded claims and expenses	-	-	503,335	610,038	-	-	-	-	92,724	-
(6) Re-estimated net incurred claims and expenses:										
End of policy year	867,000	600,999	906,000	819,000	600,708	647,844	489,735	620,246	420,996	516,357
One year later	-	570,051	999,999	734,506	531,248	565,441	493,499	591,809	650,000	483,939
Two years later	-	-	754,020	673,233	586,066	601,175	611,473	568,577	640,482	440,793
Three years later	-	-	-	637,233	642,338	594,175	602,458	531,522	621,185	425,405
Four years later	-	-	-	-	607,338	575,794	677,555	524,177	613,978	418,834
Five years later	-	-	-	-	-	575,794	666,917	524,177	609,153	415,845
Six years later	-	-	-	-	-	-	656,220	520,257	609,153	413,454
Seven years later	-	-	-	-	-	-	-	523,726	609,153	413,454
Eight years later	-	-	-	-	-	-	-	-	597,950	413,454
Nine years later	-	-	-	-	-	-	-	-	-	409,853
(7) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	-	(30,948)	(151,980)	(181,767)	6,630	(72,050)	166,485	(96,520)	176,957	(106,504)

* West Michigan Risk Management Trust adopted GASB Statement No. 30, Risk Finance Omnibus, an amendment of GASB No. 10, on a prospective basis.

Actuarial Financial Data

STATEMENT OF ACTUARIAL OPINION

Financial Statement of the West Michigan Risk Management Trust

For the Year Ended June 30, 2006

Page 1 of 3

IDENTIFICATION

I, Jeremy P. Pecora, am associated with the Tillinghast business of Towers Perrin. I am a member of the American Academy of Actuaries and meet its qualification standards for signing statements of actuarial opinion regarding property and casualty insurance company statutory Annual Statements. I am a Fellow of the Casualty Actuarial Society. I have been requested by the West Michigan Risk Management Trust ("Trust") to render this opinion.

SCOPE

I have examined the reserves listed below, as shown in the Financial Statement of the Trust as prepared for filing with state regulatory officials, as of June 30, 2006.

Current portion of Reserve for Claims and Long Term Liabilities	\$1,007,695
--	-------------

My examination of the loss and allocated loss adjustment expense reserves was based upon data and related information prepared by the Trust. In this regard, I relied on Judi Dean, Administrator of the Trust, as to the accuracy and completeness of the data. I evaluated the data used directly in my analysis for reasonableness and consistency. My evaluation did not reveal any data points materially affecting my analysis that fell outside of the range of reasonable possibilities. In performing this evaluation, I have assumed that the Trust (a) used its best efforts to supply accurate and complete data and (b) did not knowingly provide any inaccurate data. In other respects, my examination included the use of such actuarial assumptions and methods and such tests of calculations as I considered necessary.

My review was limited to the item above, and did not include an analysis of any income statement items or other balance sheet items. My opinion on the reserves is based upon the assumption that all reserves are backed by valid assets, which have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

My opinion on the loss and allocated loss adjustment expense reserves net of excess insurance assumes that all excess insurance is valid and collectible. In addition, the Trust has represented to me that it knows of no uncollectible excess insurance recoveries. I have not anticipated any contingent liabilities that could arise if the excess insurers do not meet their obligations to the Trust as reflected in the data and other information provided to me.

I believe that there are significant risks and uncertainties that could result in material adverse deviation in the loss and allocated loss adjustment expense reserves. In

STATEMENT OF ACTUARIAL OPINION

Financial Statement of the West Michigan Risk Management Trust

For the Year Ended June 30, 2006

Page 2 of 3

consideration of the use of this opinion for purposes of solvency monitoring, I consider \$515,000 to be material for this Trust, calculated as 25% of members' equity. I have identified the major risks and uncertainties as the relatively small size of the Trust. The absence of other risks and uncertainties from this listing does not imply that additional factors will not be identified in the future as having been a significant influence on the Trust's reserves.

The Trust does not discount loss and allocated loss adjustment expense reserves.

Reserves are established gross of anticipated salvage and subrogation.

OPINION

In my opinion, the amounts recorded in the financial statement for the item above:

- a) are consistent with amounts computed in accordance with the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves and relevant standards of practice promulgated by the Actuarial Standards Board; and
- b) make a reasonable provision for all unpaid loss and allocated loss adjustment expense obligations of the Trust under the terms of its contracts and agreements.

VARIABILITY

In evaluating whether the reserves make a reasonable provision for unpaid losses and allocated loss adjustment expenses, it is necessary to project future loss and allocated loss adjustment expense payments. Actual future losses and allocated loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections.

Further, my projections make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Trust's historical data base or which are not yet quantifiable.

An actuarial report, including underlying workpapers supporting the findings expressed in this statement of actuarial opinion, has been provided to the Trust to be retained for a period of seven years at its administrative offices and available for regulatory examination.

This statement of opinion is solely for the use of, and only to be relied upon by, the Trust and the State of Michigan insurance department with which it files its financial statement.

STATEMENT OF ACTUARIAL OPINION

Financial Statement of the West Michigan Risk Management Trust

For the Year Ended June 30, 2006

Page 3 of 3

Date: October 16, 2006

Jeremy P. Pecora, FCAS, MAAA
Consultant
Towers Perrin
1000 Town Center, Suite 950
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PURPOSE AND SCOPE

The Tillinghast business of Towers Perrin (Tillinghast) was retained by the West Michigan Risk Management Trust (WMRMT or the Trust) to perform an actuarial analysis of WMRMT's claim experience for the purpose of projecting ultimate losses and allocated loss adjustment expenses (ALAE). These projections are used to estimate the unpaid losses and ALAE as of June 30, 2006.

Our analysis was performed net of WMRMT's retention. Our projections are net of anticipated future salvage and subrogation.

This document was prepared to summarize our findings. It should be noted that the results are subject to a number of reliances and limitations inherent to the estimation of ultimate loss and ALAE, as described in subsequent sections of this report.

Judgments about the analysis and findings presented in this report should be made only after considering the report in its entirety.

DISTRIBUTION AND USE

This report has been prepared for the internal use of WMRMT management solely for the purpose of evaluating the Trust's unpaid losses and ALAE as of June 30, 2006. It is not intended nor necessarily suitable for any other purpose.

The report contains workpapers, trade secrets and confidential information of both WMRMT and Tillinghast. Because of the nature of the material contained in the report, it is not intended to be subject to disclosure requirements under any Freedom of Information Act or similar laws.

We understand that WMRMT may wish to provide copies of this report to its external auditors, insurance regulators and current or prospective insurers (the "Recipients").

Permission is hereby granted for such distribution on the conditions that:

- Tillinghast is provided a list of the Recipients to whom this report is provided
- the report is distributed in its entirety
- each Recipient recognizes that Tillinghast is available, at the expense of WMRMT, to answer any questions concerning the report
- each Recipient agrees not to reference or distribute the report to any other party
- each Recipient recognizes that the furnishing of this report is not a substitute for its own due diligence and agrees to place no reliance on this report or the data contained herein that would result in the creation of any duty or liability by Tillinghast to such party
- each Recipient understands that such RECIPIENT IS DEEMED TO HAVE ACCEPTED THESE TERMS AND CONDITIONS by retaining a copy of this report.

No further distribution of this report or reference, either oral or written, to Tillinghast, our analysis or findings related to this report may be made without our prior written consent.

The exhibits attached in support of our conclusions are an integral part of this report. The exhibits have been prepared so that our actuarial assumptions and judgments are

documented. Judgments about the findings presented in this report should be made only after considering the report in its entirety. We are available to answer any questions that may arise regarding this report. We assume that the user of this report will seek such explanation on any matter in question.

The estimates set forth in this report are predicated on a number of assumptions as to future conditions and events. These assumptions are documented in subsequent sections of this report, and should be understood in order to place the actuarial estimates in their appropriate context. In addition, the estimates are subject to inherent limitations, as discussed herein.

FINDINGS

Based on our analysis of WMRMT's experience at June 30, 2006, and subject to the considerations set forth in the *Reliances and Limitations* section, we have reached the following conclusions. When reviewing these findings, it should be noted that the use of the term loss without modification includes loss and ALAE, but does not include unallocated loss adjustment expense (ULAE).

Estimated Net Unpaid Loss as of June 30, 2006

The estimated net unpaid losses are summarized in the table below. When reviewing these results, please note:

- the indications are on an expected value basis and, as such, do not include a margin for the risk of adverse emergence, and
- all claims occurring July 1, 1990 through June 30, 2001 are closed and we assume they will have no further development, and thus are not shown in the table.

ESTIMATED NET UNPAID LOSS AS OF JUNE 30, 2006

Accident Year Ending June 30	Case Reserves	IBNR	Total
2002	\$ 0	\$ 14,425	\$ 14,425
2003	2,500	31,373	33,873
2004	98,000	65,664	163,664
2005	37,794	176,448	214,242
2006	124,424	457,067	581,491
Total	\$ 262,718	\$ 744,976	\$ 1,007,695

The estimated unpaid loss estimates summarized above exclude any provision for unpaid unallocated loss adjustment expense (ULAE). These expenses typically include items associated with general claims adjusting (i.e., "overhead") that cannot be directly allocated to individual claims. Provisions for ULAE liabilities can vary widely, depending on the line of coverage and the contractual arrangement between an entity and the claims administrator.

The unpaid losses and ALAE have decreased approximately \$45,000 from the prior year's analysis. This decrease is caused primarily by the decrease in case reserves as of June 30, 2006.

Comparison of Current and Prior Results

The following table presents a comparison of the current and prior retained ultimate loss estimates for each accident period.

COMPARISON OF CURRENT AND PRIOR NET ULTIMATE LOSS AND ALAE

Accident Year Ending June 30	Prior ^(a)	Current	Dollar Change	Percent Change
1991	\$250,997	\$250,997	\$0	\$0
1992	333,663	333,663	0	0
1993	210,709	210,709	0	0
1994	405,000	405,000	0	0
1995	453,000	453,000	0	0
1996	450,000	450,000	0	0
1997	409,853	409,853	0	0
1998	597,950	597,950	0	0
1999	523,726	523,726	0	0
2000	661,145	656,220	(4,925)	-0.7%
2001	575,794	575,794	0	0
2002	642,337	607,337	(35,000)	-5.4%
2003	673,233	637,233	(36,000)	-5.3%
2004	1,000,000	754,020	(245,980)	-24.6%
2005	601,000	570,050	(30,950)	-5.1%
Total	\$7,788,407	\$7,435,552	(\$352,855)	-4.5%

(a) From the June 30, 2005 report.

RELIANCES AND LIMITATIONS

Inherent Uncertainty

Estimates of loss and ALAE are subject to large potential errors of estimation, due to the fact that the ultimate disposition of claims incurred prior to the financial statement date, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, public attitudes, and social/economic conditions such as inflation. Any estimate of future costs is subject to the inherent limitation on one's ability to predict the aggregate course of future events. It should therefore be expected that the actual emergence of losses and ALAE will vary, perhaps materially, from any estimate. Thus, no assurance can be given that WMRMT's actual loss and ALAE will not ultimately exceed the estimates contained herein. In our judgment, we have employed techniques and assumptions that are appropriate, and the estimates presented herein are reasonable, given the information currently available.

Data Reliance

Throughout this analysis, we have relied on historical data and other quantitative and qualitative information provided by WMRMT and its third party administrator, Gallagher Bassett Services, Inc. We have not independently audited or verified this information; however, we have reviewed it for reasonableness and internal consistency. We have assumed that the information is complete and accurate, and that we have been provided with all information relevant to the analysis of WMRMT's ultimate losses and ALAE. The accuracy of our results is dependent upon the accuracy and completeness of the underlying data; therefore, any material discrepancies discovered in this data should be reported to us and this report amended accordingly, if warranted.

Extraordinary Future Emergence

We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect the cost, frequency, or future reporting of claims. In addition, our estimates make no provision for potential future claims arising from loss causes not

represented in the historical data (e.g., new types of mass torts or latent injuries, terrorist acts, etc.) except insofar as claims of these types are included but not identified in the reported claims and are implicitly analyzed.

Excess Insurance Collectibility

Liabilities are estimated net of excess insurance. An independent evaluation of the quality of security provided by WMRMT's excess insurers is outside the scope of our engagement. We have assumed that all of the Trust's excess insurance protection will be valid and collectible. Contingent liability may exist for any excess insurance recoveries that may prove to be uncollectible. Should such liabilities materialize, they would be in addition to the net liability estimates contained herein.

Underlying Assets

We have not examined the assets underlying WMRMT's outstanding loss liabilities and we have formed no opinion as to the validity or value of these assets. We have assumed throughout the analysis that WMRMT's loss liabilities are backed by valid assets with suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

Self-Insurance Risk

When reviewing our findings, it is important to note certain implications of a group self-insurance program. The entire retained risk remains with the self-insured trust, which likely exposes the members to greater potential fluctuations in financial experience than does a first dollar insurance program. The members of WMRMT should have sufficient financial capacity to reserve for and withstand those fluctuations. Actual losses in excess of projected losses will have to be paid by WMRMT members. It is not possible to estimate such fluctuations completely accurately; however, the effects of such fluctuations can be reduced by the funding of a provision for contingencies (a margin for the risk of adverse deviation from the expected loss levels). We have not calculated such risk margins or estimated confidence levels in the scope of our review.

An important factor bearing on a group self-insured's financial capacity is the existence of an excess insurance program. Excess insurance is generally considered an integral part of

programs with the potential for catastrophic losses; general liability, auto liability and property losses are characterized by this potential.

Nothing in this report should be construed as recommending that WMRMT members should or should not self-insure these coverages. Many factors should be considered in that decision.

General

Estimated liabilities do not include a provision for:

- Cost of excess insurance
- Unallocated loss adjustment expense
- Actuarial and audit fees
- Risk management fees
- In-house legal counsel fees.

Note that ALAE represents the costs associated with the defense and settlement of individual claims. ULAE are those costs that are not attributable to specific claims, and are more in the nature of an overhead expense. The major item in this category would be fees for claims management services provided by an outside organization.

BACKGROUND

Trust Overview

WMRMT was formed on July 1, 1990. It is a group self-insured trust fund that is currently providing automobile liability, automobile physical damage, property, and general liability coverage for 26 school districts in Michigan. Prior to July 1, 1990 each school district acquired insurance on its own.

Excess Insurance

The WMRMT per occurrence retention for the periods from July 1, 1990 to June 30, 1993 covered \$125,000 per occurrence. From July 1, 1993 to June 30, 2005, WMRMT covered the first \$175,000 per occurrence. From July 1, 2005 to the present, WMRMT is covering the first \$250,000 per occurrence. The Trust's annual aggregate loss fund has varied over the years (see Summary Exhibit 1, Column (7)).

Each year the loss fund is set by the aggregate excess insurer. Individual members of the Trust contribute money to this fund to pay for future claims. In closed years in which the ultimate losses are less than the loss fund, the members who contributed to the loss fund are eligible to receive a surplus dividend associated with the closed year. The aggregate excess insurer provides funds for the years in which the ultimate losses exceed the loss fund.

Terminology

Loss: The use of the term loss without modification includes loss and ALAE, but does not include ULAЕ.

IBNR: IBNR stands for claims Incurred But Not Reported. In this report, we have used the term in its broader, more general sense, to represent development on outstanding case reserves (also referred to as supplemental or IBNER – Incurred But Not Enough Reported) and unreported claims (also referred to as “pure” IBNR or IBNYR – Incurred But Not Yet Reported).

Accident Year: Includes all claims that occurred during the “accident period”, e.g., accident year July 1, 2005 through June 30, 2006 would include all claims occurring during that period, regardless of when they were reported.

DATA AND INFORMATION

We relied on the following information as provided by WMRMT, for use in the analysis:

- General liability, auto liability, auto physical damage and property exposure data, and Trust retention information;
- Paid and reported loss and ALAE data for accident years July 1, 1990 through June 30, 2006 evaluated as of June 30, 2006;
- Detailed information for large claims; and
- Detailed information on open and total claim counts.

We relied upon this information without audit or independent verification. We also relied on information from insurance industry sources where a sufficient volume of WMRMT experience is lacking.

Accident Year	Evaluation Age in Months												168	180	192
	12	24	36	48	60	72	84	96	108	120	132	144			
1991	28	30	30	30	30	30	30	30	30	30	30	30	30	30	30
1992	21	22	23	23	24	24	24	24	24	24	24	24	24	24	24
1993	22	24	26	26	28	28	28	28	28	28	28	28	28	28	28
1994	26	30	31	31	31	31	31	31	31	31	32	32	32	32	32
1995	22	25	25	25	25	25	25	25	25	26	26	26	26	26	26
1996	19	25	26	27	27	27	27	27	27	28	28	28	28	28	28
1997	32	36	36	36	36	36	36	36	36	36	36	36	36	36	36
1998	34	40	40	40	40	40	40	40	40	40	40	40	40	40	40
1999	12	16	17	17	17	17	17	17	17	17	17	17	17	17	17
2000	14	19	20	20	20	20	20	20	20	20	20	20	20	20	20
2001	18	20	20	20	20	20	20	20	20	20	20	20	20	20	20
2002	10	16	18	18	18	18	18	18	18	18	18	18	18	18	18
2003	8	9	10	11	11	11	11	11	11	11	11	11	11	11	11
2004	17	22	22	22	22	22	22	22	22	22	22	22	22	22	22
2005	13	17	17	17	17	17	17	17	17	17	17	17	17	17	17
2006	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16

West Michigan Risk Management Trust
General Liability (GB, GD, PI)
Open Claim Counts
Data Evaluated as of 06/30/2006

Appendix A
Page 4

Accident Year	Evaluation Age in Months												192			
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192
1991	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1992	6	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0
1993	5	2	1	2	2	2	0	0	0	0	0	0	0	0	0	0
1994	9	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0
1995	7	0	1	1	1	1	0	1	0	0	0	0	0	0	0	0
1996	5	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0
1997	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1998	5	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0
1999	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2000	5	3	2	1	1	0	0	0	0	0	0	0	0	0	0	0
2001	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2002	2	1	2	1	2	1	0	0	0	0	0	0	0	0	0	0
2003	4	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0
2004	12	4	3	1	1	1	1	1	1	1	1	1	1	1	1	1
2005	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2006	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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West Michigan Risk Management Trust
Automobile Liability (AB, AD, AN)
Total Claim Counts
Data Evaluated as of 06/30/2006

Accident Year	Evaluation Age in Months												192			
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192
1991	36	37	38	38	38	38	38	38	38	38	38	38	38	38	38	38
1992	21	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23
1993	39	39	41	41	41	41	41	41	41	41	41	41	41	41	41	41
1994	49	49	49	50	50	50	50	50	50	50	50	50	50	50	50	50
1995	51	54	54	54	54	54	54	54	54	54	54	54	54	54	54	54
1996	38	37	37	37	37	37	37	37	37	37	37	37	37	37	37	37
1997	60	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62
1998	61	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67
1999	41	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44
2000	39	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
2001	45	45	46	46	46	46	46	46	46	46	46	46	46	46	46	46
2002	40	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41
2003	30	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
2004	35	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39
2005	33															
2006	25															

West Michigan Risk Management Trust
Automobile Liability (AB, AD, AN)
Open Claim Counts
Data Evaluated as of 06/30/2006

Accident Year	Evaluation Age in Months												156	168	180	192
	12	24	36	48	60	72	84	96	108	120	132	144				
1991	3	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0
1992.	1	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0
1993	1	0	1	1	1	1	0	0	0	0	0	0	0	0	0	0
1994	4	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0
1995	6	2	1	1	0	0	0	0	0	0	0	0	0	0	0	0
1996	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1997	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1998	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1999	5	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0
2000	3	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2001	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
2002	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2003	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2004	3	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2005	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2006	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

West Michigan Risk Management Trust
Automobile Physical Damage (AP)
Reported Claim Counts
Data Evaluated as of 06/30/2006

Appendix C
Page 3

Accident Year	Evaluation Age in Months											
	12	24	36	48	60	72	84	96	108	120	132	144
1991	15	16	16	16	16	16	16	16	16	16	16	16
1992	10	11	11	11	11	11	11	11	11	11	11	11
1993	12	14	14	14	14	14	14	14	14	14	14	14
1994	17	18	18	18	18	18	18	18	18	18	18	18
1995	30	30	30	30	30	30	30	30	30	30	30	30
1996	19	21	21	21	21	21	21	21	21	21	21	21
1997	41	42	42	42	42	42	42	42	42	42	42	42
1998	33	36	36	36	36	36	36	36	36	36	36	36
1999	24	26	26	26	26	26	26	26	26	26	26	26
2000	33	34	34	34	34	34	34	34	34	34	34	34
2001	24	28	28	28	28	28	28	28	28	28	28	28
2002	25	28	28	28	28	28	28	28	28	28	28	28
2003	37	39	39	39	39	39	39	39	39	39	39	39
2004	18	21	21	21	21	21	21	21	21	21	21	21
2005	31	34	34	34	34	34	34	34	34	34	34	34
2006	29											

West Michigan Risk Management Trust
Automobile Physical Damage (AP)
Open Claim Counts
Data Evaluated as of 06/30/2006

Appendix C
Page 4

Accident Year	Evaluation Age in Months											
	12	24	36	48	60	72	84	96	108	120	132	144
156	168	180	192									
1991	6	1	0	0	0	0	0	0	0	0	0	0
1992	4	0	0	0	0	0	0	0	0	0	0	0
1993	0	0	0	0	0	0	0	0	0	0	0	0
1994	3	0	0	0	0	0	0	0	0	0	0	0
1995	7	0	0	0	0	0	0	0	0	0	0	0
1996	3	0	0	0	0	0	0	0	0	0	0	0
1997	3	0	0	0	0	0	0	0	0	0	0	0
1998	3	0	0	0	0	0	0	0	0	0	0	0
1999	4	0	0	0	0	0	0	0	0	0	0	0
2000	8	0	0	0	0	0	0	0	0	0	0	0
2001	1	0	0	0	0	0	0	0	0	0	0	0
2002	3	1	0	0	0	0	0	0	0	0	0	0
2003	1	0	0	0	0	0	0	0	0	0	0	0
2004	2	0	0	0	0	0	0	0	0	0	0	0
2005	6	4	0	0	0	0	0	0	0	0	0	0
2006												

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Accident Year	Evaluation Age in Months										156	168	180	192
	12	24	36	48	60	72	84	96	108	120				
1991	18	20	20	20	20	20	20	20	20	20	20	20	20	20
1992	11	11	11	11	11	11	11	11	11	11	11	11	11	11
1993	10	10	10	10	10	10	10	10	10	11	11	11	11	11
1994	18	21	21	21	21	21	21	21	21	21	21	21	21	21
1995	25	26	26	26	26	26	26	26	26	26	26	26	26	26
1996	33	39	39	39	39	39	39	39	39	39	39	39	39	39
1997	28	38	38	38	38	38	38	38	38	38	38	38	38	38
1998	34	53	53	53	53	53	53	53	53	53	53	53	53	53
1999	42	50	50	50	50	50	50	50	50	50	50	50	50	50
2000	14	22	22	22	22	22	22	22	22	22	22	22	22	22
2001	35	38	38	38	38	38	38	38	38	38	38	38	38	38
2002	32	37	37	37	37	37	37	37	37	37	37	37	37	37
2003	47	48	48	48	48	48	49	49	49	49	49	49	49	49
2004	30	39	39	39	39	39	39	39	39	39	39	39	39	39
2005	28	37	37	37	37	37	37	37	37	37	37	37	37	37
2006	25													

Accident Year	Evaluation Age in Months															
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192
1991	7	3	1	1	0	0	0	0	0	0	0	0	0	0	0	0
1992	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1993	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1994	7	2	2	2	0	0	0	0	0	0	0	0	0	0	0	0
1995	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1996	16	9	1	0	0	0	0	0	0	0	0	0	0	0	0	0
1997	9	3	2	0	0	0	0	0	0	0	0	0	0	0	0	0
1998	13	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1999	13	3	2	0	0	0	0	0	0	0	0	0	0	0	0	0
2000	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2001	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2002	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2003	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2004	10	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2005	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2006	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Statistical Data

WEST MICHIGAN RISK MANAGEMENT TRUST
Summary of Ultimate Losses and Limited IBNR by Year Limited to the Loss Fund

Summary Exhibit 2

Occurrence Period	Ultimate Losses Subject to Loss Fund	Paid Loss Subject to Loss Fund	Indicated Reserve	Reported Losses	Limited Reported Losses	Limited IBNR
(1)	(2)	(3)	(4)	(5)	(6)	(7)
07/01/90 - 06/30/91	\$ 250,997	\$ 250,997	\$ 0	\$ 250,997	\$ 250,997	\$ 0
07/01/91 - 06/30/92	333,663	333,663	0	333,711	333,663	0
07/01/92 - 06/30/93	210,709	210,709	0	210,709	210,709	0
07/01/93 - 06/30/94	405,000	405,000	0	535,793	405,000	0
07/01/94 - 06/30/95	453,000	453,000	0	482,837	453,000	0
07/01/95 - 06/30/96	450,000	450,000	0	578,977	450,000	0
07/01/96 - 06/30/97	409,853	409,853	0	409,853	409,853	0
07/01/97 - 06/30/98	597,950	597,950	0	587,950	597,950	0
07/01/98 - 06/30/99	523,726	523,726	0	523,726	523,726	0
07/01/99 - 06/30/00	656,220	656,220	0	656,220	656,220	0
07/01/00 - 06/30/01	575,794	575,794	0	575,794	575,794	0
07/01/01 - 06/30/02	607,337	592,913	14,425	592,913	592,913	14,425
07/01/02 - 06/30/03	637,233	603,360	33,873	605,860	605,860	31,373
07/01/03 - 06/30/04	754,020	590,356	163,664	688,356	688,356	65,664
07/01/04 - 06/30/05	570,050	355,808	214,242	393,603	393,603	176,448
07/01/05 - 06/30/06	867,000	285,509	581,491	409,933	409,933	457,067
Total	\$ 8,302,552	\$ 7,294,857	\$ 1,007,695	\$ 7,847,230	\$ 7,557,575	\$ 744,976

- (2) From Summary Exhibit 1, Column (8)
- (3) Sum of Exhibits 1, Column (3), limited to the Loss Fund by year
- (4) = (2) - (3), but not less than zero
- (5) From Exhibits 5, Column (7) [for all lines]
- (6) The lesser of (2) and (5)
- (7) = (2) - (6)

WEST MICHIGAN RISK MANAGEMENT TRUST
 Automobile Liability
 Summary of Historical Exposure Data

Exhibit B-6

Occurrence Period	Number of Vehicles						Adjusted Exposures
	Private Passenger	Vans, Pickups	Medium Trucks	Heavy Trucks	School Buses	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(11)
07/01/90 - 06/30/91	37	74	50	7	383	551	549
07/01/91 - 06/30/92	40	81	54	8	385	568	562
07/01/92 - 06/30/93	54	95	73	8	466	696	687
07/01/93 - 06/30/94	59	91	82	9	541	782	781
07/01/94 - 06/30/95	74	94	83	10	560	821	817
07/01/95 - 06/30/96	76	189	18	3	647	933	918
07/01/96 - 06/30/97	56	182	20	6	672	936	930
07/01/97 - 06/30/98	49	201	11	5	715	981	977
07/01/98 - 06/30/99	48	189	15	8	741	1,001	1,004
07/01/99 - 06/30/00	51	198	17	8	761	1,035	1,035
07/01/00 - 06/30/01	34	206	26	31	773	1,070	1,066
07/01/01 - 06/30/02	36	214	30	32	798	1,110	1,104
07/01/02 - 06/30/03	38	221	33	32	823	1,147	1,140
07/01/03 - 06/30/04	33	254	27	34	886	1,234	1,224
07/01/04 - 06/30/05	23	229	28	3	816	1,099	1,099
07/01/05 - 06/30/06	28	250	24	9	843	1,154	1,147
07/01/06 - 06/30/07	26	228	26	7	824	1,111	1,111
Total	762	2,996	617	220	11,634	16,229	16,151
(8) 06 / 07 Exposure Level	26	228	26	7	824		
(9) \$250,000 Pure Premium	\$ 196	\$ 225	\$ 196	\$ 193	\$ 140		
(10) Weighted Average Pure Premium at \$250,000							\$ 160

(2) - (7) Provided by West Michigan

(9) Based on insurance industry data at \$100,000 limit of liability, adjusted to \$250,000 per occurrence limit

(10) = Line (9), weighted by Line (8)

(11) Adjusts for mix in exposure category

WEST MICHIGAN RISK MANAGEMENT TRUST
 Automobile Physical Damage
 Summary of Historical Exposure Data

Exhibit C-6

Occurrence Period	Private Passenger	Number of Vehicles					Total
		Vans, Pickups	Medium Trucks	Heavy Trucks	School Buses		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
07/01/90 - 06/30/91	37	74	50	7	383	551	
07/01/91 - 06/30/92	40	81	54	8	385	568	
07/01/92 - 06/30/93	54	95	73	8	466	696	
07/01/93 - 06/30/94	59	91	82	9	541	782	
07/01/94 - 06/30/95	74	94	83	10	560	821	
07/01/95 - 06/30/96	76	189	18	3	647	933	
07/01/96 - 06/30/97	56	182	20	6	672	936	
07/01/97 - 06/30/98	49	201	11	5	715	981	
07/01/98 - 06/30/99	48	189	15	8	741	1,001	
07/01/99 - 06/30/00	51	198	17	8	761	1,035	
07/01/00 - 06/30/01	34	206	26	31	773	1,070	
07/01/01 - 06/30/02	36	214	30	32	798	1,110	
07/01/02 - 06/30/03	38	221	33	32	823	1,147	
07/01/03 - 06/30/04	33	254	27	34	886	1,234	
07/01/04 - 06/30/05	23	229	28	3	816	1,099	
07/01/05 - 06/30/06	28	250	24	9	843	1,154	
07/01/06 - 06/30/07	26	228	26	7	824	1,111	
Total	762	2,996	617	220	11,634	16,229	

(2) - (7) Provided by West Michigan

WEST MICHIGAN RISK MANAGEMENT TRUST
 Property Coverage
 Summary of Historical Exposure Data

Exhibit D-6

Occurrence Period	Property Value (Millions)
(1)	(2)
07/01/90 - 06/30/91	\$ 448
07/01/91 - 06/30/92	480
07/01/92 - 06/30/93	626
07/01/93 - 06/30/94	711
07/01/94 - 06/30/95	792
07/01/95 - 06/30/96	932
07/01/96 - 06/30/97	1,007
07/01/97 - 06/30/98	1,110
07/01/98 - 06/30/99	1,360
07/01/99 - 06/30/00	1,381
07/01/00 - 06/30/01	1,421
07/01/01 - 06/30/02	1,458
07/01/02 - 06/30/03	1,764
07/01/03 - 06/30/04	1,850
07/01/04 - 06/30/05	1,904
07/01/05 - 06/30/06	2,273
07/01/06 - 06/30/07	2,597
Total	\$ 22,114

(2) Provided by West Michigan (06/07 includes Reeths-Puffer)

Operating and Demographic Data

								% of Change Since 2004-2005	% of Change Since 1992-1993
July 1, 1999-2000	July 1, 2000-2001	July 1, 2001-2002	July 1, 2002-2003	July 1, 2003-2004	July 1, 2004-2005	July 1, 2005-2006			
22,471	23,432	25,326	26,210	27,510	24,920	26,266	5%	89%	
51,643	51,508	54,576	54,728	59,617	57,184	67,338	18%	77%	
734	894	1,191	1,465	1,350	7,268	6,241	(14%)	19%	
74,848	75,834	81,093	82,403	88,477	89,372	99,845	12%	75%	
4,141	4,222	4,679	5,272	5,272	5,649	5,910	5%	83%	
761	773	808	886	886	794	838	6%	80%	
\$ 1,380,760,517	\$ 1,421,195,720	\$ 1,524,131,084	\$ 1,764,047,641	\$ 1,838,133,521	\$ 1,874,415,563	\$ 2,366,551,327	26%	278%	
98	98	103	105	98	102	109	7%	24%	
24	24	25	31	25	29	30	3%	58%	
19	19	21	23	23	24	25	4%	67%	
\$ 289,000	\$ 289,000	\$ 393,539	\$ 484,895	\$ 545,909	\$ 562,909	\$ 490,432	(13%)	34%	
123,000	128,817	176,020	396,131	467,977	486,655	439,270	(10%)	262%	
93,106	93,160	141,571	187,623	251,300	295,027	304,383	3%	82%	
48,840	48,659	55,165	68,811	74,829	75,832	78,350	3%	160%	
-	-	183,869	239,490	238,185	255,633	260,831	2%	- %	
-	-	-	24,179	26,703	-	8,123	- %	- %	
-	-	120,491	158,852	269,909	300,000	281,470	(6%)	- %	
-	-	-	1,150	1,150	1,213	1,213	- %	- %	
87,771	71,553	96,168	84,067	88,673	92,597	81,896	(12%)	56%	
153,830	161,500	171,400	196,500	202,395	215,907	229,700	6%	1,615%	
700,000	775,000	775,000	974,000	1,000,000	1,012,692	1,109,108	10%	222%	
6,171	5,992	59,842	79,138	136,673	156,123	162,018	4%	- %	

West Michigan Risk Management Trust

Scope of Coverages

The major categories of insurance protection the West Michigan Risk Management Trust provides its members are listed as follows:

Property

Buildings
Contents
Mobile Equipment
EDP
Auto Physical Damage
Flood and Earthquake
Fine Arts
Inland Marine
Excess Property
Boiler and Machinery

Crime

Money and Securities
Commercial Blanket Bond
Depositors' Forgery
Money Order and Counterfeit Papers

Other

School Board Legal Liability
Student Accident

General Liability

Comprehensive General Liability
Employee Benefits Liability
Automobile Liability
Auto Medical Payments
Uninsured/Underinsured Motorist
Personal Insurance Protection
Personal Property Protection
Foreign Legal Liability

West Michigan Risk Management Trust

COMPARATIVE SCHEDULE OF EXCESS INSURANCE IN FORCE FOR THE SIXTEENTH-YEAR PERIOD ENDED JUNE 30, 2006:

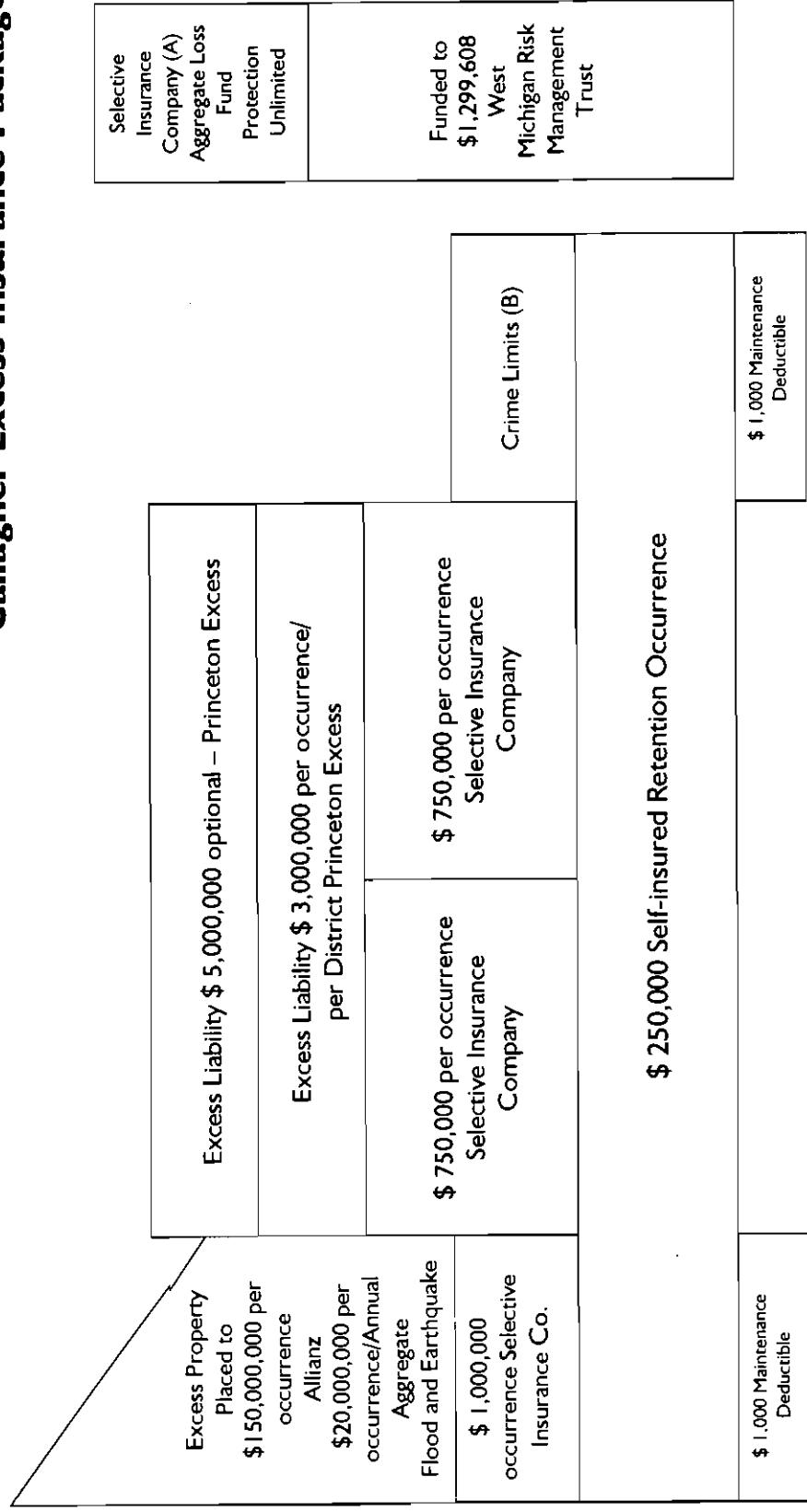
	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Multi-peril:							
Premium	\$ 646,161	\$ 755,911	\$ 812,488	\$ 914,552	\$ 957,161	\$ 985,493	\$ 828,466
Occurrence Limit	125,000	125,000	175,000	175,000	175,000	175,000	175,000
Attachment Point	333,663	339,132	405,000	453,000	450,000	532,500	650,000
Aggregate Limit	Unlimited						

Excess Insurance Package

<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 819,107	\$802,512	\$ 798,681	\$1,242,055	\$1,757,631	\$2,083,490	\$1,881,349	\$1,597,238
175,000	175,000	175,000	175,000	175,000	175,000	175,000	250,000
650,000	725,000	775,000	775,000	974,000	1,000,000	1,012,692	1,109,108
Unlimited							

West Michigan Risk Management Trust

2005-2006 Risk Management Gallagher Excess Insurance Package



- If the loss fund should be exhausted, the aggregate loss fund policy eliminates the SIR provision, and the program reverts back to a conventional type program.
- (A) With this program, there is an aggregate (stop-loss) insurance policy should we exhaust the loss fund. The aggregate loss fund coverage is provided to comply with the Michigan state law, which mandates a minimum of \$5,000,000 in excess coverage above the Loss Fund.
 - (B) Employee dishonesty - \$100,000; money and securities in/out - \$25,000; depositors' forgery - \$25,000

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Definitions

Claim

Insurer Operations. Ad demand by an insured or another party for payment for loss under an insurance contract or bond; "claim" is also used to refer to the actual or estimated amount of a loss.

Incurred Losses

Both paid and known reserved losses occurring within a specific period of time.

Loss

General. A reduction, decrease, or disappearance of value.

Property. The amount of a reduction in value of an insured property, caused by an insured peril.

Casualty. The payment of a claim on behalf of an insured.

Loss Adjustment Expense

Insurer Operations. The expense involved in settling a loss, excluding the actual value of the loss.

Allocated Expenses

- legal fees
- professional photographs
- medical records
- experts' rehabilitation costs
- accident reconstruction
- architects and contractors
- engineers
- police, fire, coroner, weather, or other such reports
- property damage appraisals
- extraordinary costs for witness statements
- official documents and transcripts
- sub rosa investigations
- medical examinations
- extraordinary travel made at client's request
- court reports
- fees for service of process
- pre- and post-judgment interest paid
- chemists
- collection cost payable to third parties on subrogation
- any other similar cost, fee, or expense reasonably chargeable to the investigation, negotiation, settlement, or defense of a claim or loss that must have the explicit prior approval of the client
- managed care